

Message Text

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47

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 TAR-02 ABF-01 L-03 H-02 PA-03 PRS-01

USIA-12 COA-02 FMC-04 RSR-01 /196 W

----- 027840

R 251153 Z APR 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 9938

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

C O N F I D E N T I A L STOCKHOLM 1375

E. O.11652: GDS

TAGS: EFIN, ETRD, SW

SUBJECT: MOVES TO COUNTER DOLLAR DEVALUATION (C- ER-3-57235)

REF: (A) STATE 70706; (B) STOCKHOLM' S A-31, JAN 24, 1973;

(C) STOCKHOLM' S A-353, SEPT 12, 1972;

(D) STOCKHOLM' S A-383, OCT 27, 1971;

(E) STOCKHOLM 585, FEB 16 1973.

SUMMARY: NET EFFECT ON SWEDEN OF FEBRUARY 1973 CURRENCY

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REALIGNMENTS WAS ESSENTIALLY NEUTRAL. GOS IS EXPECTED SHORTLY TO INTRODUCE NEW EXPORT CREDIT PROGRAM, BUT OTHERWISE HAS DONE NOTHING SPECIFIC TO DEAL WITH EFFECT OF CURRENCY REALIGNMENTS OTHER THAN MINOR TIGHTENING OF FOREIGN EXCHANGE REGULATIONS. EXPORT COUNCIL IS CONTINUING NORMAL EXPORT PROMOTION ACTIVITIES. PRIVATE FIRMS ARE TRYING HARDER THAN BEFORE TO COVER FORWARD EXCHANGE RISKS AND SHIPPERS HAVE RAISED FREIGHT RATES. END SUMMARY.

1. SWEDISH REVALUTATION IN FEBRUARY 1973 WAS ONLY 5 P/C VIS- A- VIS US DOLLAR, WHILE SWEDEN DEVALUED VIS- A- VIS MOST OF ITS MAJOR EUROPEAN TRADING PARTNERS (E. G. WEST GERMANY, DENMARK, NORWAY). THUS, GOS SAID NET EFFECT OF CURRENCY CHANGES ON SWEDISH KRONA WAS NEUTRAL.

2. EMBASSY UNAWARE OF ANY MEASURES TAKEN BY GOS SINCE FEBRUARY SPECIFICALLY AIMED AT DEALING WITH EFFECTS OF US DEVALUATION, ALTHOUGH GOS EXPECTED MOMENTARILY TO ANNOUNCE A NEW EXPORT CREDIT PROGRAM. WHILE NEW PROGRAM DIRECTED PRIMARILY TOWARD TRADE WITH EASTERN EUROPE, IT WILL HAVE EFFECT OF MAKING LONG- TERM SWEDISH EXPORT CREDIT TERMS MORE COMPETITIVE IN ALL MARKETS WITH THOSE OF US, UK, FRANCE AND OTHER MAJOR INDUSTRIAL COUNTRIES. EXISTING SWEDISH EXPORT CREDIT PROGRAMS WERE DISCUSSED IN REFS B & C.

3. SWEDISH EXPORT PROMOTION IS COORDINATED BY JOINT PUBLIC- PRIVATE SWEDISH EXPORT COUNCIL, WHICH ESTABLISHED IN JULY 1, 1972 TO REPLACE PRIVATELY- ORGANIZED GENERAL EXPORT ASSOCIATION AND SEVERAL SMALLER BODIES. EXPORT COUNCIL, WHICH HAS OVER 1500 CORPORATE MEMBERS (I. E. 400 MORE THAN GEA DID), IS INAUGURATING NEW AUTOMATED TRADE OPPORTUNITY PROGRAM IN MAY 1973 AND STRENGTHENING SEVERAL EXISTING EXPORT PROMOTION ACTIVITIES, SUCH AS TRADE FAIRS, TRADE MISSIONS AND VARIOUS MARKET INFORMATION SERVICES. WHILE NONE OF THESE NEW INITIATIVES WAS PLANNED AFTER FEBRUARY 1973 CURRENCY CHANGES, MOST WERE INTRODUCED AFTER SMITHSONIAN REALIGNMENT OF DECEMBER 1971.

4. EMBASSY KNOWS OF NO PLANS OF GOS TO RESTRICT IMPORTS FROM DEVALUING COUNTRIES THROUGH TARIFFS OR NONTARIFF BARRIERS. ON MARCH 21, 1973, THE SWEDISH CENTRAL BANK
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(RIKSBANK) INTRODUCED RESTRICTIONS ON SWEDISH KRONA ACCOUNTS HELD BY FOREIGNERS AND ON SALES OF FOREIGN CURRENCY TO RIKSBANK BY SWEDISH COMMERCIAL BANKS. THESE RESTRICTIONS, HOWEVER, APPEAR TO BE DIRECTED PRIMARILY AT CAPITAL, RATHER THAN CURRENT, TRANSACTIONS. IN FACT, IN NOVEMBER 1972, RIKSBANK RELAXED THOSE FOREIGN CURRENCY REGULATIONS WHICH HAD FORMERLY PREVENTED

SWEDISH IMPORTERS FROM OPERATING IN FORWARD CURRENCY
MARKETS BEYOND A 12- MONTH PERIOD. IMPORTERS MAY NOW
ENGAGE IN FORWARD CURRENCY TRANSACTIONS UP TO 24 MONTHS
INTO THE FUTURE, JUST AS EXPORTERS HAVE ALWAYS BEEN
ABLE TO DO (REF D).

5. ACTIONS TAKEN BY SWEDISH FIRMS TO DEAL WITH ANTI-
CIPATED EFFECTS OF CURRENCY ADJUSTMENTS HAVE BEEN
DESCRIBED BY LOCAL BANKING SOURCES AS FOLLOWS:

A) SOME SWEDISH TRADE ASSOCIATIONS HAVE RECENTLY
RECOMMENDED TO THEIR MEMBER FIRMS TO TRY TO INVOICE
FUTURE EXPORT CONTRACTS IN KRONOR, RATHER THAN DOLLARS
OR STERLING;

B) SWEDISH COMMERCIAL BANKS ARE RECOMMENDING TO
THEIR CLIENTS TO COVER THEIR FORWARD CURRENCY RISKS IN
ONE OF THE FOUR TRADITIONAL WAYS OPEN TO EXP
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*** Current Classification *** CONFIDENTIAL

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